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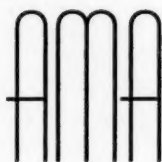
The **Management** **REVIEW**



NOVEMBER, 1943

COMMENT • DIGEST • REVIEW

Doing
with **MORE
LESS**



**A U T U M N
Production
CONFERENCE**

•
**NOVEMBER
16 and 17
1943**

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**Hotel
NEW YORKER
NEW YORK**

PRODUCTION can be increased with less manpower and with less money. This can be done by applying tested techniques of cost reduction, plus a liberal admixture of *managerial ingenuity*. Numerous wartime cost reduction programs have been reported to AMA from various sections of the country. Large numbers of war contractors have found that the solution to manpower difficulties and other war-created production problems lies in *cost reduction* through methods improvement. Make cost-consciousness permeate *the entire organization*, say these companies, and widespread benefits will immediately follow.

AMA has selected this as the theme of its Autumn Production Conference.

Look at these **IMPORTANT TOPICS**

**A MODEL PATTERN FOR A COST REDUCTION PROGRAM • REDUCING EMPLOYEE
TURNOVER • SIMPLIFIED SCHEDULING • PART-TIME AND HALF-SHIFT WORKERS
• GOVERNMENT ATTITUDE TOWARD WAGE INCENTIVES • FOLLOW-UP ON METHOD
IMPROVEMENT • WARTIME PRODUCTION CONTROL TECHNIQUES • TRENDS IN
INCENTIVE COMPENSATION PLANS • NEW TRENDS IN FOREMAN TRAINING • POSTWAR
PLANNING FOR THE FACTORY • EMPLOYMENT OF HANDICAPPED WORKERS**

**AMERICAN MANAGEMENT ASSOCIATION
330 WEST 42nd STREET NEW YORK 18, N. Y.**

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NOVEMBER, 1943

Volume XXXII

No. 11

Copyright, 1943

American Management Association

Printed in U. S. A.

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AS in World War I, charges that some industries are making unreasonable profits from war contracts are again flying. Few of the more vociferous critics, however, have attempted to define a "reasonable" or ethical profit—and the yardsticks they employ to measure earnings are varied and often unrealistic.

According to John S. Sutton, author of this issue's feature abstract, a satisfactory definition of a reasonable profit is impossible because no two businesses are precisely alike—a profit that would be exorbitant for a textile firm (which can convert to war production with little difficulty) might be wholly inadequate for an automobile manufacturer who has to scrap practically his entire plant in the process of conversion.

The yardsticks used in surveys of war profits are so diverse that earnings of a given company may be found to range from 3 to 1,000 per cent, depending on the bases used. Thus, one Congressman accuses a newcomer in war industry of making a profit of 1,740 per cent in 1942—computing profits against the company's capital and paid-in surplus. On such a basis the typical newsboy is a flagrant profiteer, realizing a profit of 15,000 per cent on a capital of \$2! (More facts about "war profiteers" on page 398.)

WHAT will the government do after the war with the \$25,000,000,000 which it has poured into wartime plants and facilities? What does industry itself intend to do with its own privately financed surplus capacity? Tentative answers to these knotty questions are indicated in an article from *Steel* abstracted on page 420 (*Disposition of Wartime Plant Facilities*).

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THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 18, N. Y., at fifty cen's per copy or five dollars per year. Vol. XXXII, No. 11, November, 1943. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

THE MANAGEMENT INDEX

General Management

Industry's Wartime Earnings

THE hot winds of controversy over wartime earnings of American business are starting to blow.

As usual during war, the men who produce the weapons and materials of battle face charges against their patriotism and ethical standards. Some of these accusations can be written off as garden variety demagoguery. Others flow from honest misunderstanding of the problem and lack of information as to its elements. This article is concerned only with the latter category.

Straws in the wind:

A Congressman announces that the public is being gypped on food prices because, he says, "middlemen" are making profits up to 500 per cent—he doesn't say of what, or why Congress hasn't long since moved to correct this situation, if true.

Another Congressman presents to the House his "one-man survey" of war industry's profits, warning gravely that, unless these profits are whittled down, there is danger the country may turn to socialism or communism. The Congressman uses so many different and

sometimes novel yardsticks for measuring profits that accountants find his reasoning as hard to follow as a Mississippi sidewheeler twisting downstream in a dense fog at midnight.

Everybody, the record shows, is against "unreasonable profits." Congress has passed laws against "excess profits" and established boards and commissions to administer them. It has provided for renegotiation of contracts for weapons and materials. Yet the outcry against "war profits" grows louder. Why?

Inquiries directed to the nation's leading management men produce two principal answers: (1) No one has ever been able to write a satisfactory definition of what a reasonable profit is; (2) no two businesses are precisely alike, and the rules, if they are to work, must be flexible; (3) a profit, expressed either in percentage or dollars, which might seem outrageously high for one firm may be grossly inadequate by every standard for the fellow across the street.

"What this country needs, in addi-

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tion to a good five-cent cigar," an outstanding war manufacturer told the writer, "is a definition of excessive profits."

A study of recent published attacks on war industry's earnings shows how the yardsticks may vary, producing widely different results. The study shows these bases used by the critics in estimating profits:

The difference between total income and total outgo.

Gross earnings, figured before deducting heavy wartime taxes.

Earnings after taxes, but before renegotiation of government contracts.

Earnings after both taxes and renegotiation.

Earnings in relation to dollar volume of sales.

Earnings in relation to original investment.

Earnings in relation to "capital plus paid-in surplus."

Earnings before or after setting aside such items of cost as depreciation and maintenance, and allowances for post-war reserves.

Earnings per dollar of market value of common stock on the New York stock exchange on any date you want to pick.

Apply several of these yardsticks to a given company's earnings and it might be found that the company made, during 1942, 1,000 per cent on original investment, 3 per cent on net sales, 18 per cent on sales before taxes and renegotiation, 40 per cent per dollar of market value of common stock on a given day, and so on. Those who wish to paint the blackest possible picture presumably would use the 1,000 per cent figure. The company might choose the 3 per cent figure. Both would be statistically right. But which

of these figures would attract the most public attention?

Further confusion arises in the public mind over the announcement, by some companies, of "earnings before taxes." In one recent case "earnings before taxes" were listed as more than \$8,000,000, but at the bottom of the report it turned out that earnings after taxes and other deductible items were only a little more than \$100,000. The opponents of this not uncommon practice argue that earnings before taxes are not earnings at all, since taxes are as much a fixed cost as labor and materials.

When charges begin to fly that a company has made "unconscionable" profits, it's a good idea to dig into the facts for answers to such questions as these:

What was the company's pre-war profit record?

Did the company use its own facilities in producing war work?

What is the quality of its workmanship?

Does it have efficient, low-cost production methods?

What have been its design and engineering contributions to other prime contractors and subcontractors?

How much is its investment?

How much capital has been at risk?

What was the hazard in doing the job?

What is the over-all performance for the earnings obtained?

What is the accounting period for which earnings are figured?

What will its position be when the war ends?

These tests go back to the original proposition that no two business concerns are alike. An automobile company which has had to scrap practically its entire plant in turning from manu-

facture of motor vehicles to anti-aircraft guns is going to be worse off when peace comes than a textile company, for instance, which goes right ahead using the same equipment, making uniforms instead of civilian clothing. A heavy industry, demand for whose products fluctuates all the way up and down the scale, must make money in the fat years to carry it through the lean ones, while an electric utility may not have that worry because the demand for its product is

fairly stable. Again, a sum which shows on a 1942 annual report as a profit may turn out, years later, to have been a loss, after renegotiation and other unpredictable charges are written off.

About half of the manufacturing corporations of the United States make no net income at all—which proves that it isn't the "profit system" but the "profit and loss" system.

By JOHN S. SUTTON. *Nation's Business*, October, 1943, p. 28:4.

The "Work-Pile" Plan

ALTHOUGH wartime industry is still booming along, supplying the necessary machinery, equipment and supplies to wage a successful fight against our enemies, farsighted business men and civic leaders are already laying plans to ease the shock of the transition from wartime to peacetime economy. Several positive steps that industry and the community can take to tackle the postwar problem are outlined in a recent study by the U. S. Department of Commerce.*

First is the "work-pile" plan. Essentially, this provides a summary of the new jobs which the corner grocer, the druggist, the lawyer, and other business men know they will have to offer when the war is over. It covers not only employment opportunities but repair, remodeling, and so on. It is in no sense a program of postwar plans for an in-

dividual company, but rather a community of opportunities in the community.

Second is a survey of manufacturing enterprises which communities could reasonably expect to attract after the war. While chambers of commerce or other business organizations in the various communities will need to call on individual manufacturers for guidance in appraising these opportunities, care should be taken to confine this study to the community level.

The third step is for communities with a greatly swollen wartime population. It is a plan whereby business men, working through the chamber of commerce or other organizations, can estimate the size of the problem the community will face at the end of the war.

Fourth is a simple program to urge consumers, retailers, wholesalers, bankers, manufacturers, and business men generally to build reserves of ideas

* *Community Action for Postwar Jobs and Profits*. Industrial Series No. 6, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1943. 71 pages. Gratis.

and money for the postwar period.

Fifth is a program to strengthen present business in the community.

The present article deals principally with the work-pile plan. This is a thoroughly practical plan developed by the San Francisco Chamber of Commerce for use by business. The basic aim of the plan is to discover "how many jobs and how much business will industry create by its own spending when the war is over?" But the plan has no intention of stopping with statistics. What distinguishes the "work pile" from most other plans is that "its end-product is not a 'statistic': its final result is orders-in-the-book."

The plan is based on the belief that practically every firm in the community, from the smallest store to the largest factory, knows of certain expenditures for repair, modernization, expansion or conversion which it will probably make when the war is over. It is also believed that many of these firms will know of one or more job openings which they will have then. The work-pile plan is simply a summary of these known opportunities which will exist when victory is won. The plan has wide appeal because it is simple, down-to-earth, and results in the disclosure of specific dollar-and-cents opportunities in the community.

The San Francisco Bay industrial area, like all California, is deep in the biggest industrial boom of its history. This means big business for the region now, but it *could* spell disaster when the war ends. San Francisco business leaders hope to ensure, by planning now, that it will not.

Providing for a 60- to 90-day appraisal period, the general work-pile committee established committees in each of 200 branches of industry in and around San Francisco. With the aid of a survey outline, these committees set out to determine the accumulated demands for goods and services in each field. The committees in each industry had the duty of making an appraisal of probable conditions at the close of 1943, or after the end of war, indicating what selling opportunities appeared to exist for the postwar era, and estimating what reemployment is possible in each industry if full advantage is taken of sales opportunities.

In the words of the heads of the general work-pile committee: "We know that a business man cannot pay his rent or meet his Saturday night payroll with a 'statistic'; so we aim to provide leads for new business, names, addresses and phone numbers of people who are going to need goods and services when the war is over." The thousands of business men contacted are being asked to list their own names as potential customers. In exchange, they will have access to the potential customers for their goods and services.

From each of the 200-odd industries, a key man was selected to serve as chairman. He in turn chose his own committee, of six to 20 men; and this committee meets, makes the surveys, gathers the leads for postwar jobs and business. When all data is in for a given field, the results are relayed to the general work-pile committee. The leads and estimates are kept up-to-date.

Enthusiasm has been great because the plan is practical. Thousands of committeemen all over the area are hard at work. Some reports have already been completed; others are partially complete.

San Francisco business men have been keenly interested to learn that the 10 major banks in their city have earmarked \$2,064,500 for immediate postwar spending for new equipment, new construction or remodeling, and that they will have 575 jobs open when peace comes. They are pleased at reports that the three rail companies serving San Francisco will spend \$45,000,000 in the first year after the war; that

the hotels will spend \$116,830 for repairs and \$177,000 for new fixtures, etc.; that the municipal railroad will spend \$1,638,037; that the California Chain Store Association membership has plans that will run into six or seven figures.

The reports beginning to come in are not guesses or hopes, but hardheaded estimates of engineers and top executives.

Indeed, postwar budgets based on these estimates are being drawn up now by most of the larger enterprises.

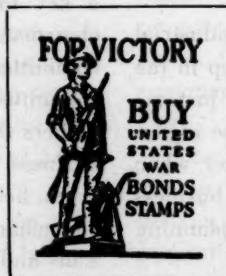
By ELSA GIDLOW. *The Glass Packer*, October, 1943, p. 682:3.

Monkey Business

ONE employer who has no draft worries, according to the *Regina Leader-Post*, is an inspector of ventilators (chimney sweep to you) in Omaha. His three chief assistants might be "See No Evil, Hear No Evil, Speak No Evil" monkeys come to life. They are much too busy cleaning ventilators, chimneys and cooling systems all over the country to get into mischief.

His firm is best known as Eli and Eli—the second Eli of the partnership is a singularly intelligent baboon, who shares his responsibility as well as his name. The monkey employees started working long before the war and the manpower shortage. A competitor was giving the employer a little trouble about 10 years ago, so he bought "Eli," his favorite, and trained her as a publicity stunt to give his business a much-needed shot-in-the-arm. He says that some ventilators are so small he himself cannot crawl into them, but that monkeys learn fast. Two of the monkeys, Patchy and Bobo, are "gold-brickers" from way back, and it takes the constant surveillance of Eli the man, and Eli the monkey, to keep them on the job. No housewife is more particular than Eli as she goes willingly into the ventilators, does her work, and surveys it with pride—let her catch "one of the boys" napping, and there's trouble ahead for him.

—*Business Management* 9/43



No. 1 Postwar Market—Latin America

WHEN the day comes for the world's peace to be written, the United States will have its potentially greatest postwar market ready and waiting for development in Latin America. But to do the job successfully, we must have market data to work with; we must know the economic and other characteristics of its various peoples; and we must learn the techniques peculiar to Latin American selling.

In trying to appraise the market potentialities of Latin America, we find ourselves stymied at the outset by lack of reliable statistics. Most of the countries have never bothered to take a census of population, to say nothing of literacy, purchasing power, manufactures, mining and agricultural production, and other statistical data. Where figures are available, they are often incomplete or inaccurate.

An exporter who bases his sales program on the premise that a certain country has a population of, say, eight or nine million (estimated!) is doomed to a rude awakening when he discovers that 90 per cent exist under such a substandard of living that, so far as he is concerned, they might as well not exist at all. In fact, in a country of eight or nine million there may not be more than 50,000 people with any kind of purchasing power.

Hand in hand with this poverty of the masses goes their illiteracy, lack of sanitation and hygiene, with resulting diseases and high mortality rate.

Fortunately, these conditions are being remedied—though slowly—either as a result of industrialization or of social legislation.

In sharp contrast to this, we find a vast accumulation of wealth in the hands of a few. In Chile, for instance, it is said that 60 families own everything. One brother may run the bank, another the newspaper, another the government; but the whole family owns the land, and a great majority of the population is still dependent on the land. The landed gentry has inherited a contempt for trade, similar to the views once held by members of the British peerage. This traditional attitude (which is largely responsible for the foreign ownership of most public utilities, mines and "big business") makes the rapidity with which Latin America's industrialization is taking place all the more remarkable.

According to official Brazilian figures, for instance, the value of manufactures in that country alone jumped from 3,200,000 Contos, or roughly \$160,000,000, in 1920 to 20,000,000 Contos, or *one billion dollars*, in 1938; and it is safe to assume that a further gain of no less than 50 per cent was registered in the last five years.

Another factor which may well have far-reaching consequences is the fact that practically every republic has been transformed overnight from a debtor nation into a creditor nation. The favorable balance of trade accumulated in the past three years as

a result of our heavy purchases and of our curtailed exports is reported to total close to one billion dollars and will undoubtedly be much higher by the time normal trade can be resumed.

However, we must not overlook the fact that, even though the United States has been and is contributing to a large extent to the prosperity of these countries, they are under no obligation to spend their dollar balances with us. They will buy where they get the best treatment, and thus the exporter will have to employ intelligent salesmanship and sound advertising.

Latin America will be a tempting plum, indeed, and we shall be faced with a three-cornered competition fight: competition among United States manufacturers, competition with foreign countries, and competition with Latin America herself.

The latter will make itself felt more in certain lines than in others. We shall witness a shift in our trade from consumer goods to production goods, the importation of industrial machinery being encouraged by reductions and even complete exemption from duties. As Latin America increases its own production of the consumer goods for which it has both the manufacturing facilities and a ready market, it will decrease in importance as a market for our food products, soaps, tooth-pastes, tires, and light metal products, such as nails and wire. On the other hand, it will be an expanding market for our machinery, machine tools, road-building equipment, locomotives, motors of all kinds, and similar heavy goods.

Now, a word about foreign competition. If we are to hold our own in Latin America, we shall have to send down, not "tourist" salesmen, but men who will become part and parcel of Latin American life, who will absorb the psychology, culture and customs of the country, and who will modify our sales methods to meet local requirements.

Before the war, German salesmen did not hesitate to penetrate deep into the jungle, undergoing all kinds of hardships to peddle their wares. When you visit the famous fair at Pisac, Peru, you will find the colorful Indians squatting in the marketplace, as they have done for time immemorial. As they spread their humble wares on the ground—some pottery, bits of ribbon, a jugful of coca leaves—you will also see a few tins of powdered indigo, crimson and magenta, each plainly labeled *I. G. Farbenindustrie*. To sell those Indians in the remote Andes regions must have taken salesmanship; it must have taken perseverance.

However, we may be confident that the threat of German competition after the war has been eliminated for a long time to come. Indeed, even if Germany were allowed to produce and export, she would find that her markets have deserted her.

What of other countries? Russia remains an inscrutable enigma, but she may well make a bid for world markets after the war. France and Italy have the advantages of a common cultural heritage and a closer psychological understanding with their fellow Latins. The British have by no means relaxed

their grip on the Latin American market; in fact, they have stepped their advertising up since the war began.

With the struggle for markets which is bound to ensue, we too must not only maintain but intensify our adver-

tising efforts. This is a field in which we excel. If we are to get our share of the Latin American business, the time to do the promotional spadework is now. BY HENRY WEBEL. *Advertising & Selling*, October, 1943, p. 23:4.

"Upgrading" Training for Executives

AN experiment of deep postwar significance to industrial executives is now going forward at the Harvard Business School.

The idea got its start last February as an intensive 15-week war-production training course with two purposes: to "convert" such executives as sales managers to war-production techniques; and to give junior executives in war plants an upgrading course in management methods. By now, in the second 15-week course, emphasis has shifted largely to the upgrading phase as the one that's most needed both today and tomorrow.

Sponsored by the U. S. Office of Education, the course covers the management and control of production, purchasing, costs and personnel. Much time is spent on practical methods to increase production, improve quality, and reduce costs.

Thereby, the course aims to give the promising junior executive the equipment with which to move on to a higher post in his company. The assistant purchasing agent can study labor problems and policies, the design engineer can see where cost accounting enters the over-all company picture, the assistant in production can get an airplane view of procurement and its function. In short, this advanced training course attempts to give the trainee a comprehensive picture of management that might otherwise take him years to acquire.

In practice, top executives also attend the course for the chance it gives them to look at industry in perspective, to brush up on long-range developments in their own and other fields of management.

Enrollment is limited to 80 men between the ages of 35 and 60 who have proved their ability to do executive work. Some attend at their own expense, but most are sent at the expense of their companies.

Teaching is done by the case system and organized discussion. A typical "case" raises the problem of whether the XYZ Company should try to get new equipment to speed up its deliveries; and, if so, whether that equipment should consist of turret or engine lathes.

The students have many pages of facts and figures on which to base their decisions. They take into consideration the same factors that the top executives of an actual company should: type of work to be done, costs, setup problems, skilled labor supply, penalties for late deliveries of government orders, whether to put them ahead of civilian orders, effect of this on good will, etc.

At present the upgrading course covers production. But the emphasis is expected to change by the time peace comes and distribution is the dominant problem of industry.

—*Modern Industry* 3/15/43

• **OPPORTUNITIES** for building war plant morale are increased through organization of employee groups having kindred interests, personnel managers have found. Since women employees who are in the grandmother class feel a distinct community of interests, Servel, Inc., has organized in its Evansville, Ind., plant the "Servel War Working Grandmothers of America." Its members are rated high by the management in determination to smash the Axis.

—*Commerce* 10/43

Office Management

Preparing the Office Manual

A DISCUSSION of the subject of office manuals calls for some definition of terms. There is no agreement among executives as to what the term *office manual* implies. Generally speaking, manuals used in the office fall into one or more of the following classifications:

1. *Policy manual*—a compilation of company policies or rules of conduct for the office. Sometimes this is referred to as a company handbook or rule book.
2. *Organization manual*—an attempt to define formally the duties and functions of the various departments, units or individual positions in the organization and to establish their relationships with each other. Organization charts are employed extensively in this connection to visualize the situation.
3. *Procedure manual*—a presentation of standard practices or routines for handling the various office operations. This is frequently supplemented with a description or reproduction of the forms and records involved.

Frequently it will be found that the office manual does not conform strictly to any one of the above classifications but represents a combination of some or all.

How can these manuals be most effectively prepared? Two general methods are employed. One might be designated as the "cooperative" approach; the other, as the "special assignment" method. Under the former method various members of the organization participate in the undertaking, whereas under the latter method the responsibility for the preparation of the

manual is specifically assigned to an individual or unit. Where a systems or methods department exists, it frequently carries out this assignment.

The principal advantage claimed for the cooperative approach is its educational value to the organization as a whole. It has been said that if a manual were never subsequently referred to, the value received from its preparation alone would justify the effort. In order to prepare a formal statement of policy or to devise the "one best way" of performing an operation, it is necessary to consider all the factors involved and to make a thorough analysis of existing practices and requirements. In other words, the problem must be considered from the company rather than the departmental viewpoint. A method frequently followed for standard practice manuals is to require each department or unit involved in a given procedure or routine to prepare a written description of its existing practice. These are then analyzed, simplified, and consolidated into a standard procedure by a committee of interested department representatives.

The alternative approach is to handle this as a staff function, designating one or more specialists to make a methods study and develop the recommended procedure. Under this latter method, the approvals of the affected executives are usually obtained before the procedure is adopted and put into effect.

This matter of pre-approval is a highly important step and calls for considerable tact.

In the Tennessee Valley Authority, responsibility for the issuance and distribution of all office manual material is placed in the Office Service Department. The manuals of this organization include the following:

- a) Policy Manual—decisions, resolutions and pronouncements of the Board of Directors.
- b) Organization Manual—organization, duties, responsibilities and personnel of the various departments.
- c) Administrative Practice Manual—standard methods for carrying on the work interdepartmentally.
- d) Departmental Practice Manuals—standard methods within a department.
- e) Handbooks—compilations of information and procedures developed for a particular division, section, unit, field or job.

Formal approval procedure has been prescribed for each of the above. The Policy Manual, being a statement by the Board of Directors or an executive instruction, requires no other approval. Additions or changes in the Organization Manual are approved by the General Manager. The final draft of all releases to the Administrative Practice Manual must bear the approval of the directors of the departments directly affected and of the General Manager. Departmental Practice Manuals and Handbooks bear the signature of the director of the department or his designee and the head of the division affected.

The method of preparation is likely to differ for company-wide manuals as compared with strictly departmental manuals. Systems or methods departments are likely to be justified only in the larger organizations. However, the advantages of specialization that normally result from such a department can be approached in the smaller organizations or departments by selecting someone with the proper qualifications as a staff assistant devoting at least part of his time to methods and standardization work.

To meet the objection that manuals soon become obsolete, it is necessary to provide means for their frequent and systematic revision. Most companies seem to make the same individual or unit responsible for manual revisions as for the original preparation. It is important that this assignment be placed high enough in the organization to insure authoritative and intelligent handling.

The frequency of revision required is likely to vary with each company or department. It is also dependent somewhat on the form in which the manual is issued. Where complete revisions are made at fairly long intervals, it is usually necessary to issue some form of supplements to keep the data up to date. BY E. H. CONARROE. *N.A.C.A. Bulletin*, June 1, 1943. 14 pp.

(Other factors involved in the preparation and use of office manuals are examined in detail in this study—Ed.)

-
- The Irvington Varnish and Insulation Company, Irvington, N. J., has developed a plan to pay present employees "bounties" of \$10 to \$15 if they introduce new employees who stay three months.

—Commerce 9/43

How to Cut Paper Consumption

COOPERATING in a *Printers' Ink* survey to learn how industrial and commercial concerns are conserving paper, several firms have indicated various methods whereby they reduced paper consumption. Following are some of the methods these firms are pursuing at the present time:

1. Instructing employees to use all paper stocks conservatively, telling them to save bulletins, etc., that come to their desks, and to examine their wastebaskets frequently. Each wastebasket should be labeled with some such sign as "Stop! Don't throw away anything that can be used again"—placed atop a stick so that it projects over the wastebasket.

2. Using both sides of a sheet for printing, mimeographing or typing; also utilizing single typewriter spacing wherever possible.

3. Printing internal forms on the clean side of scrap paper.

4. Padding and cutting of all scrap paper, obsolete requisition forms, etc.; discontinuing the use of legal pads for scratch purposes; returning to the printing department any bulk of good paper which has been used on one side, to be padded into scratch paper.

5. Using the reverse sides of old letters, circulars, and the like for scratch paper.

6. Correcting errors in typewritten interdepartmental and inter-office correspondence in longhand instead of re-typing.

7. Reducing paper and stationery

stocks to a few standard sizes, base weights, colors, qualities and quantities, wherever feasible; checking all pieces and forms systematically for reduction to next standard smaller size; eliminating excessive margins.

8. Typing of carbon copies of replies on the backs of incoming letters.

9. Typing short letters on half-size sheets, and using short-size letterhead, copy paper and inter-office paper for brief inter-office communications.

10. Using the right size and right weight of envelope for the material enclosed; one organization has instructed its employees to use a 6 $\frac{3}{4}$ -inch size envelope whenever possible.

11. Avoiding the use of envelopes for intra-company, or inter-departmental, mail unless the matter is confidential or personal, or unless there is an enclosure that may be lost.

12. Opening incoming envelopes, wherever possible, along their sealed flaps, and reusing them repeatedly for internal mail.

13. In mimeographing short announcements, repeating the text several times on the same stencil, and then cutting the imprinted sheets.

14. Returning all file guides, manila folders and large envelopes to the stockroom for reuse.

15. Delegating responsibility for control of supplies to one person in each home office department.

16. Instructing employees to clean out their desks, files and supply cab-

inets of excess supplies regularly and to turn them over to a specified individual for redistribution or for use as scratchpads.

17. Eliminating or consolidating forms used by plants and branch houses for reporting to the main office; reducing the number of bulletins going from the main office to branches and plants, or eliminating them altogether.

18. Questioning the necessity of new forms more thoroughly, and discouraging the practice of scrapping an old supply when a form is revised.

19. Shipping all obsolete forms and advertising literature, unused cardboard, corrugated paper, waste, etc., to

a reclamation department where it can be sorted.

20. Baling waste paper which has no better use and putting it back into the proper channels.

21. Making awards to employees for suggestions on how to save paper, stationery supplies, etc.

22. Utilizing bulletins, printed posters and word-of-mouth promotion of "Help Win the War by Eliminating Waste" campaigns in cooperation with similar government campaigns.

23. Getting the most out of carbon paper by turning it frequently top for bottom.

Printers' Ink, September 3, 1943, p. 32:2.

Paper Saver

ALLIS-CHALMERS MANUFACTURING COMPANY reports an interesting device recently adopted to beat the current paper shortage:

By a change in its method of mailing monthly "morale booklets" to its 30,000 employees, it anticipates saving 7,200 pounds of paper stock within a year.

Formerly, 5 by 7 inch 12-page booklets were mailed in envelopes of the same size, entailing the expense of inserting individual booklets as well as the cost of the envelopes. Instituting a paper-saving mailing method, the firm now stamps addresses on the top half of the booklet's back cover, space which otherwise would be wasted. The usual postal information is printed on this space when the booklet is produced. By this procedure, the company figures to realize the following savings:

7,200 lbs. of 20# sulphite stock, plus 360 man-hours for making envelopes	
and for printing	\$1,026
300 hours of inserting time	463

Total Savings

Because of its success with self-mailing the small booklets, Allis-Chalmers expects to follow the same procedure with two larger publications.

—*Printers' Ink* 9/3/43

Salaries of Clerical Workers in 20 Cities

WEEEKLY salaries in April, 1943, of clerical workers employed by representative companies in 20 cities selected from different sections of the United States ranged from a low of \$12 (high, \$34) for office boys or girls to a high of \$58 (low, \$15) for receptionists. The mode, or rate occurring most frequently, ranged from \$18 for file clerks to \$38 for senior dictating-machine transcribers. These figures are from a survey by the National Industrial Conference Board covering salaries of 35,611 full-time clerical workers employed by 351 companies in industrial and commercial fields.

—*Monthly Labor Review* 8/43

Personnel

Making Management Negotiation Persuasive

ONE of the strangest of management shortcomings is the inability of otherwise competent executives to negotiate effectively with worker representatives or groups of employees. As two representatives of labor unions in the steel industry recently observed, sales managers and purchasing agents seem better able to negotiate with labor than the production executives responsible for managing labor.

The reason for this is easily determined. Managers of labor need to bear in mind that the sound handling of labor relations demands two-way education—education of labor by management, and education of management by labor. This is precisely the case in selling or buying. The seller must show the buyer how his product will serve the buyer's needs. The buyer must give the seller an understanding of what his needs are. When a third party, such as an agent or a union organizer, is injected, there are three lines of communication or education.

Appreciation of this typical buying and selling situation is a prime essential if management wishes to achieve mutual understanding with labor. Failure to appreciate it has led management into dealing with unions exclusively and forgetting to deal with and inform the employees. While all employees may want to fight management once in a while, most of them do not want to

do so all the time. But neither do they want merely to work *for* management. If workers are to be persuaded to accept management's proposals or if they are to have a chance to persuade management to accept their ideas, management must recognize that what they really want is to work *with* management.

But is such an approach practical or possible when an aggressive labor organizer is present—or when a rebellious shop steward represents an employee? If, as often happens, the organizer has assured the employees that he will walk into the boss's office and "put the screws on," the employees may well be in a mood to see it done—and to relish the experience. This, however, does not change the basic situation. It means only that employees need be made conscious of their underlying desire to work *with* the boss if he is willing to work with them. There are several ways in which this can be done. The aggressive organizer can be allowed to "blow off steam," while the real discussions are postponed for a cooling-off period. Another way is to talk *at* the labor organizer, but *with* the employees.

Often employees' feelings must be dealt with before labor-management problems can be considered. It is frequently difficult for executives, accustomed to going directly to the subject matter of problems with other execu-

tives, to realize this. They are too prone to forget that employees may be subject to feelings of resentment or futility to an extent which makes it impossible for them to use reason until these feelings have been overcome or worked off.

The first principle is that rapport must be established; that is, management must convince the employees or their representatives that the approach will be friendly and factual and that issues will be dealt with judiciously—with due regard for all interests as mutual understanding of them develops. This can be done by patiently listening while the employees or union delegates blow off steam, by giving convincing evidence of real interest through sympathetic attention, tone of voice, expression and posture—even by a rugged firmness in meeting outrageous demands or accusations. Better to spend hours and postpone consideration of the questions involved than to attempt to negotiate in an atmosphere of suspicion, fear or resentment.

The next principle is that the process of negotiation must be organized and given structure. The position and responsibility of each of those present should be clearly determined and understood. From determining and obtaining agreement on facts, through interpretation of agreed-upon facts, to decisions based on facts, orderly consideration must be provided for by making the steps to be followed clear to all. While management must allow a roundabout approach if necessary, it must demonstrate that it is seeking un-

derstanding of the facts on pertinent issues and that other points will not be allowed to clutter up the discussion.

So long as the issues are appreciated by all and approached from the employees' point of view, it makes little difference what issues are taken up first. But it is essential—and this is a third principle of negotiation—that the consideration of the issues converges to clarify the fundamental problems. To make sure of this, management should, as the discussion progresses, summarize and establish what has been brought out at each stage.

A fourth principle of negotiation is that management must adapt the discussion to the employees' experience, language, and ways of thought. A careful but highly technical and academic statement may prove worse than futile, for it is verbal evidence that management is not thinking in terms the workers can understand or, worse still, evidence that management cannot or is not trying to understand the workers.

It is easy to indulge in the practice of trying to out-trade the other fellow. A good deal of temporary satisfaction can be gained by indulging in moves which outsmart the union organizer. (Unions can, and often do, enjoy playing this game too—and are frequently more skilful at it than industrial executives.) But the process of persuasive education, while basically a sales process, is not a trading one. Its objective is to develop a mutually satisfactory relationship, not to out-trade the other fellow. The executive who says the way to treat labor is to "kid it

along" only wastes breath and money. "Hard-boiled" honesty is better than hypocritical sympathy.

A final principle in the process of persuasive education is that the situation must be dealt with as it actually develops, not as preliminary analysis has indicated it ought to develop. Almost any predetermined plan requires practical adaptation to practical conditions.

Essentially the process of persuasive education consists of: (1) giving and

getting the facts; (2) a bi-lateral examination, explanation and interpretation of the facts so as to bring about realistic mutual understanding and determine genuine problems or needs; and (3) working out a solution which can be voluntarily accepted by both management and labor. In employing the process, professional knowledge is advantageous, but patience, sincerity and common sense are indispensable. BY R. C. NYMAN. *Advanced Management*, January-March, 1943, p. 23:4.

This Plant Welcomes Veterans

MANY soldiers, sailors and marines who have been crippled by war wounds now go directly from California hospitals to aviation factories to resume their civilian work.

Consolidated Vultee Aircraft Corporation, San Diego, near some of these hospitals, is among those which are providing jobs for the wounded. To see that these men get the jobs for which their condition best equips them, this company has developed a veterans' placement bureau. It analyzes the veteran's physical capacities and finds work for him on the basis of that analysis.

Consolidated, after the medical findings are disclosed, places the man in one of four categories: (A) if he is capable of heavy sustained labor, (B) if he can handle moderately heavy labor, (C) lighter labor, and (D) extremely light labor.

In addition to this alphabetical designation, numbers are added to show other defects. For instance, a worker able to do heavy work but with defective vision might be classed "A-1," while another minus an arm or leg will be given a different classification number.

With the job requirements and the man's physical capacities side by side, it is possible to place the man in work for which he is best fitted.

—*The Wall Street Journal* 10/1/43

Wartime Changes in the Labor Market

IN the three years since June, 1940, total employment has risen from 47.6 to 64 million; the armed forces have increased from .5 million to 9.3 million; and unemployment has dropped from 8.6 to 1.2 million.

War employment has swelled the ranks of women, Negro, physically handicapped and older workers: Employment of women has increased 50 per cent since 1940; Negroes constitute 7.0 per cent of total employment in plants reporting to the USES; older workers number 18.8 million, compared with 15.6 million in June, 1941; and more and more physically handicapped workers are being hired.

By June 30 all areas in the country were covered by either area or regional stabilization programs. Forty-nine areas and three industries were operating under a minimum workweek of 48 hours; and preliminary reports indicate that this action has resulted in a substantial reduction in labor needs.

—*The Labor Market* (War Manpower Commission) 7/43

How to Lay Out a Personnel Department

CAREFUL organization of the personnel department is necessary because of the growing complexity of labor records and the increasing social-mindedness of government. Hence it is a far cry from an earlier small factory, where "the boss" did the hiring, to a modern personnel department.

Each plant has its own layout problem, but certain principles are common to all. Personnel functions may be roughly divided into three main divisions, though every plant will have its individual grouping:

Employment—recruiting; applicants; identification; examinations; aptitude tests; induction.

Industrial Relations—schooling; records; statistics; insurance; pensions; disputes; advancement; job evaluation; discharge.

Employee Services—medical; cafeteria; clubs; associations; legal aid.

As a rule, plant security is delegated to another department, and the only connection that the personnel department has with it is in original identification—providing the new employee with identification cards or badges, taking fingerprints, and protecting the plant against intrusion through the applicant channel.

Obviously, all the divisions of the personnel department should be located at or near the main employee entrance, except the cafeteria, which is more likely to be centrally located. Because space near the entrance is at a premium,

it may be found desirable to locate some functions elsewhere, but this course must be weighed against the disadvantages of having the department split up. For instance, the medical department might be located near the center of the plant for easy access. In this case, an examination room can be provided in the employment section; otherwise it will be necessary to provide temporary badges and to escort groups through the plant for medical examination.

Clubrooms present a problem if the plant security program prohibits the entrance of an employee except at the time of his appointed shift, because most club activities take place during the off-shift hours. Many plants have suspended much club activity during the war period unless the clubrooms have access directly from the street and can be closed off from the plant itself.

In one company, the space available for the personnel department was on both sides of one of the main employee entrances. This meant that it was necessary to create two fairly independent units, because traffic across the entrance had to be kept at a minimum. This was done by placing the employment section, with its relatively large amount of floor space, on one side, and industrial relations and employee services on the other. The medical department was already established in a central section of the plant. Consequently, it was found advisable to group the applicants and send them for examination

under the care of a messenger guide. This was the only break in the security net, as the badges were not given to the applicants until they had passed the physical tests.

The existing entrance was divided. One section was reserved for employees entering through the turnstiles at the guardhouse; the other gave the applicants free entrance directly into the employment waiting room. At this point, a guard with electrical control was stationed over the exits from the waiting room into the plant. This guard functioned as an information center, and also prevented regular employees from using the applicants' entrance as an exit with forbidden packages.

For regular employees, access to the personnel section is provided by a counter off one of the main corridors of the plant. The record room is situated near this counter so that when an employee

stops to ask a question, the file containing all his papers is obtained, and the information sought is provided. This record room contains a fireproof safe or vault for keeping bonds, war savings stamps, club monies, and miscellaneous cash or valuable records. If a consultation is necessary, the employee is allowed past the counter to one of the two offices, where his problem is taken care of.

In view of the multiplicity of difficult problems raised by gas and tire rationing and Selective Service, some method of streamlining this service must be provided. The personnel handled by the department is approximately 6,000. By CYRIL T. TUCKER. *Factory Management and Maintenance*, September, 1943, p. 153:3.

(Layouts for large, medium-sized and small personnel departments are illustrated in this article.—Ed.)

Maintenance of Workers' Cars

THE average age of war workers' automobiles is seven years, according to a survey of war plants made by the Public Roads Administration; and 25 per cent will be 10 years old or older by the end of this year. These older vehicles are particularly liable to mechanical failure and breakdown and require an increasing amount of maintenance and repair work.

Many war plants already are carrying on campaigns to bring the importance of proper car maintenance to the attention of their employees. They are distributing instructional literature directly to employees and, also, after securing information on the location and working hours of garages and service stations (including the type of work performed), furnishing this information to employees. In some cases they have made arrangements for priority to employees in repairing and servicing of cars in local garages and service stations.

Special services which many plants have found feasible include arrangements for garages or service stations to pick up, repair and deliver employee cars back to the plant during the work shift; inspections of tires at the plant parking lot, and notification of employees when tires need recapping, repairs or other attention; general inspection of mechanical parts; and even the establishment of service and repair facilities right at the plant itself.

—HAROLD F. HAMMOND in *The Casualty & Surety Journal* 10/43

Turnover Studied

THE scope of the labor stabilization problem which lies ahead of the War Manpower Commission in certain areas is defined in some detail in a survey of Pacific Coast aircraft factories just completed by the Aircraft War Production Council.

Outstanding statistical points of the aircraft manufacturers' survey are these: Of the 150,435 persons hired by the eight plants in the first nine months of 1943, only 20,000 have stuck to their jobs.

Sixty-three per cent of the personnel now employed are women, 4F men, or men over 38.

One-third of the men now employed are immediately vulnerable to the draft, and another 26 per cent will be in jeopardy when reclassification of fathers gets under way.

Analysis of the reasons for severance of employment among the more than 100,000 employees lost from January, 1943, to June indicates that 42.71 per cent quit for personal reasons (child care, marriage, returning home, better jobs, leaving town); 18.07 per cent, because of unsatisfactory working conditions (chiefly wages); 14.92 per cent, because of induction or enlistment; 13.55 per cent, because of health; and 3.62 per cent, because of unsatisfactory living conditions. Only 7.13 per cent were dismissals, and most of these were for tardiness. As between men and women, there was considerable variance in the reasons for termination of employment.

—*Business Week* 9/25/43

Manpower Requirements for 1943-44

A MINIMUM of 4,000,000 persons must be added to the armed forces and to munitions industries between July, 1943, and July, 1944, according to estimates prepared jointly by the War Manpower Commission and the Bureau of Labor Statistics. The armed forces are expected to increase by at least 2,000,000 in this period, and another 2,000,000 workers will be required in the munitions industries.

Two sources of labor will have to be drawn on to meet these needs. One of these is an estimated 2,600,000 persons now employed in civilian industries whose labor will not be required by those industries next year because of shortages of materials and reductions in services. Even if all these 2,600,000 find places in munitions industries or the armed forces—which is by no means assured—it will still be necessary to bring an additional 1,400,000 persons into non-farm employment and the armed forces to meet total war labor requirements, plus whatever replacements may be necessary to maintain the strength of the armed forces under combat conditions.

The increases in munitions labor requirements are centered in local areas where critical manpower shortages already exist. Although the estimated additional requirements are smaller than the gains made in the past year, the problem of labor recruitment is becoming more and more difficult now that readily available persons have already been absorbed into the munitions industries.

—*Monthly Labor Review* 8/43

• ONE-HOUR "decision-making meetings" are held once a week at Joshua Hendy Iron Works' Sunnyvale, Calif., plant. Superintendents, assistant superintendents, foremen and production-control men write out their problems and submit them to the division head, who sees that all get copies. At the meeting, the only ones who speak are those who have a solution to the problem. A typical meeting ticks off about 20 decisions.

—*Modern Industry* 9/15/43

Tested Ways to Recruit Workers

WITH peacetime recruiting methods no longer practical, employers are being forced to adopt new and ingenious measures of attracting labor. Here are some tested ways that should work for almost any company:

1. *Make a house-to-house canvass.* Hartford, Conn., aircraft factories found this method successful by following what is called the "neighborhood" or "block" plan. Employees called on each house in their "block," sounding out occupants as to their willingness to work whole or half shifts. Type of work, factory conditions, and wage scales were explained in detail.

2. *Set up special "recruiting offices."* The American Optical Co., Southbridge, Mass., achieved excellent results with this method. Hiring a vacant store in the center of town, the company installed actual machines, operated by workers. Finished products were exhibited. Charts which told of the company's work were placed on the walls, flanked by flags and red, white and blue bunting. Comfortable cushioned chairs were provided. Then signs inviting the public's attention were erected. Large numbers of curious people came in to look around. Attendants explained the work and got recruits.

3. *Advertise in cars and busses.* The Hudson Motor Car Co., Detroit, gets results by a clever variation of this type of advertising. Company ac-

tivities are illustrated on oversized car cards, with pads of employment application blanks prominently attached.

4. *Advertise in newspapers.* Classified columns can still be used effectively. Since this method is most commonly used, however, appeals should strive for a fresh approach. The actual percentage of war work being handled should be stressed, particularly by companies not recognized as "war plants." Some concerns, such as Carnegie Illinois Steel, Pittsburgh, extend their newspaper advertising to a two- or three-hundred-mile radius, sending representatives to various localities to interview applicants on the spot.

5. *Make greater use of booklets.* The Bailey Meter Co., Cleveland, employs this method effectively. For example, a simple 16-page booklet called "War Work for Women" was issued to sell women on the idea of war work, particularly on Bailey war work. The booklets were given to employees, who showed them to wives, sisters, sweethearts, friends. Copies were also mailed to selected neighborhoods.

6. *Make an appeal in house organs.* Some companies are using their house organs as "recruiting papers," telling employees that more workers are needed, etc.

7. *Use the radio.* Thompson Aircraft Products, Cleveland, has a highly effective "radio recruiting" drive. A half-hour music program from New York is split up with interviews of the company's own employees. Workers

are questioned to elicit information on the simplicity of their jobs, the attractive conditions in the plant, etc.

8. *Call on the U.S.E.S.* Many companies report that the United States Employment Service is one of the best sources of new employees.

9. *Appeal to high schools and colleges.* There are at least two ways to get high school students: (1) Go directly to the teachers and ask the names of students with highest grades; (2) present the war story and the need for

war workers at the schools' final sessions. These methods may be just as effective during school terms as in vacation time, since students can work half shifts.

10. *Call on women's clubs and church groups.* Sizable numbers of women can be reached by having speakers appeal to such organizations. It's a method seldom used so far, but one that might prove highly effective.

By CY NORTON. *Forbes*, October 1, 1943, p. 16:1.

TWI Milepost

WAR Manpower Commission authorities estimate that more than one-half the nation's 18,000,000 war workers have already felt the influence of some of Training Within Industry's programs for more effective utilization of men and methods. Yet, they say, with approximately 10,000,000 so far benefited, the total job of instruction in all three of the TWI programs is only about one-fifth completed.

In surveying the results of the three-year-old program, TWI officials report that its training methods have been utilized in 14,096 plants; and they expect this figure to rise to 20,000 soon.

Managers of 543 companies have written to Washington headquarters to say that one of the programs (Job Methods Training) has saved them money, increased production, reduced scrap losses, made better use of manpower, and improved morale. (Sixty-seven of these companies report that, as a result of this program, they have effected annual savings aggregating \$3,009,233.) Many others have advised TWI officials that the programs have returned benefits the extent of which is not readily measurable.

More than half of the 1,800,000 foremen in war plants have taken instructions in some of the TWI programs. According to TWI officials, each foreman can be expected to pass along some of the benefits he picked up to at least 10 men under him.

—*NAM News* 9/25/43

Plant Market

CATERING to war workers unable to find time to shop is a farmers' market at the gates of Portland's Albina Engine & Machine Works. Pushed by George Rodgers, Albina's president, to circumvent Portland's high prices, the market serves the homeward-bound graveyard shift in the morning, the swing shift in the afternoon. The first week, 28 truckloads of fruits and vegetables went at rock-bottom prices: corn for 30 cents a dozen, compared to 60 cents in the stores; peaches for \$2 a basket, against \$3.15 elsewhere. The farmers, realizing better prices than on the wholesale markets, plan sheltered stands for fall business.

—*Business Week* 9/25/43

Production Management

Job Adjustments for Women Workers

JOBS have been changed in several ways to make them suitable for women, according to a survey recently completed by The Conference Board. The chief considerations in such adjustments have been to reduce the training period required and to bring the work within the physical capacity of women. The principal changes that have been made are listed in the table below:

<i>Change</i>	<i>Number of Companies</i>
Male assistance supplied	109
Removal of setup responsibility	84
Jobs simplified	80
Mechanical aids supplied	48
No change made	48
Women employed on light work only	3

Twenty-six plants reported that no change had been made in any of the jobs in the plant on which women had been placed. Twenty-two plants reported that they had been able to put women on certain jobs formerly held by men, with no adjustments, but on other jobs had had to make some changes. Most plants had made several types of changes.

In the cases of plants which reported that women were employed on light work only, adjustment may be indicated, since the men preceding them may have handled both heavy and light work. A large machinery manufacturing corporation, for instance, has a job shop in which the male employees customarily handled all work that came along, whether it was light or heavy, on the same machines. After introducing

women into the shop, the jobs were divided and all lighter work routed to machines operated by women, who could handle it without assistance.

The object of most changes has been to assist women with the lifting or moving of heavy materials. The point at which assistance is needed is a moot subject, though several studies have indicated that the safest maximum load is about 35 per cent of the body weight.

Of the 155 plants covered in the survey, 129 have established maximum weights that women workers may lift without assistance in the course of their work. The largest number of plants, a third of the total, have established 25 pounds as the maximum weight to be lifted by their women employees. Thirty and 35 pounds were the weights next most frequently mentioned. Maximum weights set ranged from three pounds to 75 pounds.

In a large aviation corporation, special instruction in lifting is given to all women employees who have occasion to lift pieces weighing more than 15 pounds in the course of their work. In some other concerns, instruction in lifting and carrying is included in the regular safety training that is given all employees.

Women can push or slide greater weights than they can lift. Thus, in one plant, while male porters are at hand to lift weights over 40 pounds, women slide cartons weighing 125

pounds. In a machine tool company where men were accustomed to picking up heavy pieces, tables have been built adjacent to the machines, and these tables are loaded by boys while the women operators slide the pieces into the machines.

When women need assistance in handling materials, it is most frequently given by men or boys who have been assigned to help with the lifting. This need not mean an increase in the number of workers. Through rearranging the work it is frequently possible to make adjustments for weight-lifting without requiring additional workers.

Conveyors, automatic elevators and mobile cranes of various types are among the devices that have been installed to enable women to move materials. Or special machinery has been designed which lessens the importance of the strength factor. Thus, in working at a machine which produced molds for aluminum cylinder heads for airplane engines, male operators formerly rotated a machine table which carried a metal pattern and half a flask of sand, and weighed altogether 900 pounds. This required about a 75-pound pull, too much for a woman of ordinary

physique. Women are, however, operating this machine with ease, since it has been redesigned for them. All the operator need do is open an air valve and give the roll-over table a slight manual start (retained as a safety factor), and special mechanism performs the roll-over operation.

While more than half the plants surveyed indicated that they had changed at least some of the jobs filled by women by removing responsibility for setting up the work, a number emphasized that, as soon as their women operators were properly trained, setup would become part of their job. In a few plants women were successfully filling the job of "setup man."

Job simplification or dilution was mentioned by 51.6 per cent of the plants in explaining how the work had been adapted to women. Breaking down work into component parts has often made it possible to use women with short-term training to replace men who had received comparatively long periods of training. From "Wartime Pay of Women in Industry," *Studies in Personnel Policy No. 58*, National Industrial Conference Board, Inc., p. 8:3.

Identification by Black Magic

A UNIQUE and positive method of identifying employees of war production plants has been developed by a manufacturer of ultra-violet ray equipment. Each employee has one of his hands marked with secret, semi-permanent, invisible chemical ink that cannot be washed off. The symbol used is known only to guards in the plant's protective organization.

If, when entering the plant, an employee has lost his identification badge or the usual means of identification are not entirely satisfactory, his hand is placed through an opening in a black curtain where special ultra-violet ray equipment is located. Immediately the chemical glows, revealing the invisible symbol.

The symbol can be removed with other chemicals, also secret.

—Commerce 10/43

Disposition of Wartime Plant Facilities

ONE of the toughest knots to be untangled when the war ends will be the disposition and utilization of the tremendous expansion in physical plant and machinery over the past three years.

The government alone has spent about \$25 billion in building plants and facilities for the prosecution of the war. Private industry has poured additional billions into expansion.

When the abnormal demands of Mars end, what can be done with this capacity?

How much of it can be converted to peacetime production?

How much will be maintained as arsenals of preparedness?

On what terms will the government-financed plants be offered to private industry?

What percentage will have to be scrapped?

Will the government retain some of its plants to be operated as a "yardstick" of private industry's efficiency—similar to the Tennessee Valley Authority?

Will the government attempt to install itself as a "partner" with private enterprise, especially in the production of synthetic rubber and high-octane gasoline, for which it now owns practically all plants?

Answers to these questions are puzzling many an industrialist and many a government official. In most cases the answers will depend on unpredictable: (1) When will the war end?

(2) What will be the general business, financial and political considerations?

(3) What will be the outlook for specific industries? Until these variables are known, there can be no final conclusions, although speculation on the disposition or utilization of these plants will be heard wherever business men meet or whenever Congressmen hold hearings.

The government's buying into industry on such a vast scale has placed it in a position where it could readily destroy whole industries—such as aviation, magnesium and aluminum—and could seriously damage the steel industry.

For example, the Reconstruction Finance Corporation will own one-half of the country's machine tool building facilities.

RFC has built 521 plants for the production of aircraft at a total cost of \$2,700,000,000, ten times the value of privately owned aircraft plants.

The Defense Plant Corporation has spent about \$1,000,000,000 in steel plants. DPC has also built and owns 92 per cent of magnesium capacity, representing an investment of \$430,000,000.

Nine plants have been built for the production of aluminum; these have an annual capacity of 1,200,000,000 pounds, more than that of all privately owned plants. Forty-five aluminum fabricating plants also were built by the government at a total cost of \$760,000,000.

Capacity for producing 800,000 tons of rubber annually, a third more than was used in peacetime, has been authorized by the government.

Furthermore, the government has made large investments in high-octane gasoline plants, in pipelines to transport petroleum products, and in the development and production of raw materials.

The fate of expanded industries will probably depend in large part on policies formulated by Congress and on the strength congressional groups display in enforcing its policies. Powerful political considerations are almost certain to enter into the disposition of plants.

"Reasonableness" of the figure at which the government will sell plants at the end of hostilities will be the determining factor in a majority of cases as to whether private companies will be interested in buying. Political pressure might encourage the government to offer certain plants at very reasonable figures, provided the buyers could give assurances that operations would be continued.

Cost less normal depreciation will not always be a reasonable figure after the war, it is pointed out, because wartime construction costs have been abnormally high, as a result of inflated labor rates, excessive overtime, and other sacrifices of economy to speed. Thus, a plant costing \$100 million to

build during the emergency might be built for \$50 or \$60 million in peacetime.

The cost plus interest less rent paid formula would meet with the same objections.

Another factor which undoubtedly will influence private industry in deciding whether or not to bid on government plants will be its own financial condition. Wartime tax programs and renegotiation policies are not leaving many companies with sufficient reserves to invest in new plants.

Still another factor influencing potential buyers will be the outlook for markets for their products. Machine tool builders, for instance, generally believe they have produced themselves out of a market for a decade. Unless these companies can switch over to some other product, it is unlikely they will be much interested in buying the 50 per cent of machine tool capacity owned by the government.

A recent survey by the National Industrial Conference Board reveals that 42 per cent of the companies responding plan to convert their expanded facilities to peacetime production. Use of the total plant, though probably at reduced levels, is contemplated by 22 per cent, while 8 per cent plan to sell surplus facilities, and 7 per cent intend to scrap their surplus capacity. *Steel*, October 11, 1943, p. 141:3.

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- IN GREAT BRITAIN, male workers are permitted to lift maximum weights of 130 pounds (approximately 85 per cent of body weight); women workers may lift up to 50 pounds (approximately 40 per cent of body weight).

Comparative Productivity of Women and Men

HOW does the production of women workers compare with that of men on similar jobs?

Of 146 executives queried on this subject by the National Industrial Conference Board, nearly 60 per cent stated, without qualification, that the production of women workers who were on men's jobs was equal to, or greater than, that of men on similar work. In 75 plants, women's production was equal to men's, in four plants greater than men's, and in eight plants women's production was equal to that of men on certain types of work and greater than men's on other types. Perhaps surprisingly, the four plants in which women are surpassing men in all types of work in which both are engaged are manufacturers of machines and tools or metal products.

In 36 plants, approximately one-fourth of the number reporting, women on men's jobs are producing less than men. In some instances, executives explained that the women were producing less probably because they were just starting at the work; and when they had had a chance to acquire more experience and skill, their output was expected to equal men's.

Women's production records depend on the type of work, many stated. "Where mechanical skill only is needed," an executive of an electrical products company remarked, "women's production is comparable to that of men. Where technical skill also is required, women are not up to men." Likewise, the personnel manager of another plant qualified his statement that women's production was less than men's with the explanation: "That is true on most jobs but not all—some places women are faster than men. Jobs requiring manual effort usually show up the poorest. Where dexterity is required, women may be better."

—From "Wartime Pay of Women in Industry," *Studies in Personnel Policy No. 58*, National Industrial Conference Board, Inc.

Reducing Dust and Din

A MAJOR step in health, safety and efficiency under difficult conditions has been taken by the Propeller Division of the Curtiss-Wright Corporation at its headquarters plant, Caldwell, N. J.

Specially constructed booths for portable grinding and polishing operations on hollow steel blades—a component part of many types of the Curtiss propellers—are rapidly replacing the old-type, partitioned sections which had been erected on a temporary basis to meet the tremendous production demand.

The booths are built in a series, with one operator assigned to each unit. The design reduces the hazards created by flying particles as well as a large part of the ear-splitting din which this type of operation causes. An exhaust unit at the rear of each booth removes dust and injurious metal particles.

The booths require approximately the same floor space as the sections they replace, and are built of non-combustible and non-priority materials: Thermax—a porous sound-absorbing board—backed up with rock wool to increase the sound absorption. An added advantage of the booth structures is that they are made up as complete units which can be moved and installed anywhere in the plant within an hour.

Booths are so designed that, in addition to being noise-absorbent, they also are impervious to sparks. The porous texture of the inch-thick, fireproofed insulating board with which booths are lined is rough and non-resilient, so that flying projectiles of grindstone, instead of ricocheting, drop to the floor.

—National Safety News 7/43

Marketing Management

Changes in Advertising Appropriation Methods

WAR has caused significant changes in the advertising appropriation methods of American business, according to a survey of the members of *Printers' Ink* Jury of Marketing Opinion. The survey covered 152 advertisers, with annual appropriations ranging from less than \$100,000 to more than \$1,000,000.

These are the outstanding findings:

1. There has been a marked trend toward making the task to be accomplished the appropriation yardstick, and a trend away from the formerly almost universal "percentage of sales" method.

2. Because of wartime uncertainties, many companies are shortening the term of appropriation commitments, subjecting budgets to more frequent review.

3. General wartime conditions as they affect the manufacturer rather than the extent to which a company is engaged in making war goods is the controlling factor in changing appropriation methods.

4. There are 25 different appropriation methods in operation today, although these may be fitted into six general types.

Specifically, to what extent have advertisers changed their appropriation methods because of war?

No change in method is reported by 98 advertisers, 64.5 per cent of those

participating in the survey. Of these, 69 are from 25 to 100 per cent on war production.

Forty-eight (31.5 per cent) say that war has caused them to change their methods; and, of these, 43 are from 25 to 100 per cent on war production.

In all, 25 different methods of determining appropriations were reported by the jurors. However, 33 use the task method and 38 the so-called "arbitrary" method (setting the budget arbitrarily, without reference to percentages). This, under war conditions, is so similar to the task method that the two can be considered together. Nine companies combine the two methods.

Thus 80, or more than half the companies reporting, use methods that are influenced only slightly, if at all, by the once popular percentage-of-sales base.

The 25 methods are readily combined into six broad classifications:

1. Task and arbitrary methods and all variations and combinations thereof.
2. Percentage methods and all variations and combinations thereof.
3. Per unit methods and all variations and combinations thereof.
4. Combinations of percentage method and task or arbitrary method.
5. Appropriation based on normal years' expenditures.
6. Combinations of per unit method and task or arbitrary method.

Of the 156 methods used by the 152 companies reporting (several companies employ different methods for dif-

ferent products), 96 are based on either the task or arbitrary method.

One hundred forty-five jurors reported on the length of appropriation commitments. Of this number, 86 set up appropriations for a year in advance. Among these, 52 determine the budget fairly rigidly, and 34 subject the appropriation to frequent review, usually every three months. About two-

thirds of the companies reporting have not changed the length of their commitments since war broke out. Most of the changes noted are designed either to shorten the term of commitment or to add a policy of frequent revision to budgets that were formerly set up rigidly for long terms. *Printers' Ink*, July 2, 1943, p. 15:3.

Billion-Dollar Baby

THE modern "industrial store" (as most operators prefer to have it called) is a far cry from the badly run, tumbledown company store of 20 or 30 years ago. Company stores are big business. There are some 4,200 of them in the United States, and their total annual sales volume is estimated at approximately a billion dollars. About 67 per cent of them are run by coal companies, about 15 per cent by lumber companies. Steel corporations, textile mills, and isolated mining camps have always had a good share of them.

More than 1,000 of the stores, accounting for over 50 per cent of the total volume, are members of the National Industrial Stores Association. N.I.S.A. figures that the average company store grosses annual sales of \$250,000, but some individual stores, like those of the Champion Fiber Co. at Canton, N. C., and the J. C. Bright Co. at Lansford, Penna., take in nearly \$1,000,000 a year. The 84 stores of

U. S. Steel's store subsidiaries do a \$20,000,000 business.

The up-to-date company store today carries not only food but also wearing apparel, housefurnishings, hardware, appliances and drugs. Some include service stations, restaurants and theaters.

About 75 per cent of the average company store's sales is food, 15 per cent is durable goods (mostly appliances), 10 per cent soft goods. Company stores have always had a big appliance business because they impose no carrying charge on time purchases. And because of the importance of appliance sales, the volume of most company stores is now lagging about 10 per cent behind last year.

Lately the stores have been swinging over to open credit accounts, similar to those extended by any department or retail store, and away from "over-the-payroll" collection. N.I.S.A. figures that most of the bigger company stores now do at least 50

per cent of their business on an open credit basis.

But payroll deductions still remain the heart of the company store merchandising. They are also the storm center of most of the blasts which have been aimed at company stores over the years. Most recent of these was Eleanor Roosevelt's charge that the stores "tend to keep people always in debt; and those who are in debt never are free agents."

Operators generally believe that payroll deductions are good business because they enable a company to carry its employees through bad times—the fact that the stores have fed the miners and their families during depressions and even during strikes is a matter of pride with most companies.

Companies claim that, at least in times like these, payroll deductions for store bills are not exorbitant. Most companies now keep a pretty close tab to see that credit purchases don't run too high. Some have a rule that at least \$5 every payday (every two weeks) must be paid a miner in cash, after deductions for store bills, rent, union dues, etc. The 10,523 miners of Koppers Co. spend between 20 per cent and 25 per cent of their pay checks in the company's stores. In March, 1943, they had an average of \$137.12 in their pay envelopes after all deductions.

Other charges commonly leveled at the company stores are that employees who do not patronize them are likely to lose their jobs; that mine superintendents, union leaders, and other

favorable individuals get special discounts; that stores are lax in such matters as giving out itemized receipts.

On many points of criticism even the best company stores are highly vulnerable. They are a high-cost operation, and even a big company's bulk buying power generally doesn't offset the high margins which go with a business that is practically 100 per cent credit. The miner who pays his food bill promptly must meet a price that takes into account the miner who is buying a refrigerator on time. Even when a store is operated by a subsidiary of the parent company, its accounts are so commingled with the parent's balance sheet that it is generally impossible to tell what part of the prices employees pay is clear profit. And while well-stocked modern stores now appear to be the rule rather than the exception, the old-time commissary, run as a sideline by the paymaster's clerk, hasn't wholly disappeared.

A noteworthy innovation of the past few years has been the hiring of men with merchandising experience as store managers. They are gradually replacing the payroll clerks and auditors, who might know the coal, textile or lumber business but who do not know retailing.

However much company stores may adopt modern merchandising methods, they cannot overcome the basic difference between the company store and retail operations—the fact that the company store is essentially a paternalistic enterprise and as such will always be open to attack from critics

who decry the whole philosophy of industrial paternalism.

Ickes' action in returning the mines to their owners is relieving store operators of one worry, however. When the mines were operated by the government, so, nominally, were the stores. And it looked for a while as though government operation might force some drastic reforms. Some officials even maintained that company

stores should be operated without profit.

N.I.S.A. declares that, even disregarding the heavy investment owners would forfeit if this were done, non-profit operation would lead to trouble. Non-profit company stores have been tried—Henry Ford had one—but the protests of independent merchants usually finish them. *Business Week*, September 4, 1943, p. 76:3.

Worker Exodus

SPURRED by developing war industries south of the Mason-Dixon line and west of the Rockies, workers are migrating by the hundreds of thousands from the industrial North to warmer climes—and the Census Bureau is keeping a pretty accurate account of them.

With the statistics taken from the February registration for Ration Book No. 2, the Bureau has revised its estimates of the population of 137 metropolitan areas throughout the country. Revised estimates show that these centers have gained 2.5% in population since the 1940 census was compiled—a total of 1,691,000 persons. Eighty-four cities (including adjacent suburban areas) registered a total population gain of 2,970,000; 54 registered a combined loss of 1,280,000.

The list of cities which gained 10% or more in population during the three-year period reads like a catalogue of the chief cities of Dixie and the main ports of the Pacific Coast:

Baltimore; Beaumont-Port Arthur (Tex.); Charleston, S. C.; Columbia, S. C.; Columbus, Ga.; Corpus Christi, Tex.; Dallas; Dayton, O. (an exception); Fort Worth; Galveston; Houston; Jacksonville, Fla.; Louisville; Macon; Miami; Mobile (with the highest increase, 53.4%); Norfolk-Portsmouth-Newport News, Va.; San Antonio; San Diego; San Francisco-Oakland; Savannah; Seattle; Tacoma; Tampa-St. Petersburg, Fla.; Washington; and Wichita, Kan. (another exception).

Sioux City, Ia., had the biggest proportionate drop in population, 28.9%. Others hard hit were Atlantic City (14.1%); Duluth-Superior (10%); Lancaster, Penna. (17%); St. Joseph, Mo. (14.2%); Scranton-Wilkes-Barre (17.1%); Shreveport, La. (11.8%); and Wheeling, W. Va. (10%).

—GILBERT STEWART, JR. in *The Wall Street Journal* 8/25/43

Super Service

THE American Can Company's Naval Ordnance plant, Forest Park, Ill., is solving its absentee problem through a special Employee Service Bureau installed to handle the personal duties of its workers. It takes care of ration applications, finds homes, helps buy fuel and food, and even obtains tickets for social and sporting events. Despite a strenuous working schedule that designates Christmas as the sole holiday of the year, the bureau is keeping absenteeism at a level more than 20 per cent below the national average.

—*Forbes* 10/1/43

Packaging

Patterns for Package Planning

IS package development a Topsy-like growth or is it the outcome of a systematic procedure?

Both types of development were disclosed by dozens of personal interviews extending over a period of weeks. There is no uniform procedure, though the patterns resemble each other and certain definite procedures are followed as a matter of course. Oddly enough, some companies seemed unaware of this latter fact until they got down to discussing it. At least one interviewer remarked, "I never realized we had such a definite program for taking the various points into consideration."

Points which most producers of packaged goods name as of vital importance are these:

1. Materials of which the package is made.
2. Structural or engineering aspects in fabricating those materials.
3. Functions which the package must perform.
4. Producibility of the component parts of the package.
5. Handling the package material on the production line.
6. Considerations of external design as a means of identity and consumer appeal.
7. Copy content, legal requirements, etc.

A paint manufacturer is establishing a procedure which begins with mer-

chandising. The first step is market study coupled with product research and development. In the case of one product, the company actually made field tests which involved the decoration of as many as 500 rooms in private homes.

Label designs are selected from a series of sketches prepared by an advertising agency in conjunction with the company's advertising department; for paralleling the evolution of the package design is the development of the advertising campaign. Sizes of packages are decided upon by the merchandising committee, but are limited by the capacity of package-making equipment.

The aesthetic aspect of packaging appears nowhere to better advantage than in the cosmetic and perfumery field. One company, fully aware of some of the bizarre extremes in its field, strives to make its own packaging dignified and distinctive.

The line consists of six groups or families of products, each including such items as perfume, cologne, soap and a gift set, grouped together on the basis of a particular fragrance. The color scheme and design for each group are distinctive, but each is chosen to harmonize with the others; and, while each has its own brand name, all bear a characteristic symbol.

Some cosmeticians and perfumers launch a new series of packages each

year. This company, however, makes it a practice to retain the packaging scheme for the life of the product—although, as is customary in the field, it does produce seasonal gift items. The entire packaging procedure, therefore, is conducted on a long-range basis. Decisions are arrived at by concerted action on the part of a group which includes not only the top executives but the heads of advertising, sales and purchasing departments. To an outsider, the company admits, these conferences might appear to be prolonged “talk-fests,” where nothing is considered in an orderly manner. In reality, however, the many minute points are carefully weighed, and out of it all comes something that makes the group agree, “That is it.”

As comparatively little of the packaging is completely mechanized, this company does not make experimental runs. However, it does make as accurate a cost estimate as possible before the package material is ordered. If a package is of such a character that it requires extra labor on the packaging line, the extra cost is balanced against its probable promotional value.

Package planning has been simply disposed of by a producer of spices and other food products who has placed the whole matter in the hands of a nationally known package designer. The latter outlines his procedure thus:

Preliminary study first takes into

consideration the nature of the product, its requirements for protection, method of distribution, time of probable turnover, etc., and currently the company's packaging equipment. Out of these important considerations comes the decision as to the type of material to be used.

Principal considerations in deciding on shape and structure are producibility and display potentialities. Another consideration is comparison with competing products.

In striving for package individuality, this company makes primary use of pictorial symbols or trade figures, preferably related to the product or its uses; second, it depends on handling of lettering; and third, on the use of color in particularly distinctive ways. It feels that consumers are not color-conscious to an exacting degree; and, in view of present difficulties in achieving color uniformity, this philosophy is a rather comfortable one.

Other considerations are shelf appeal, memory value, appearance of quality and cleanliness, and design to accentuate the full size of the package.

This concern, incidentally, converts limitations into virtues. For example, the vacuum seal on a can containing a peanut product was decoratively treated to make the bump appear as though the metal were embossed in the shape of a peanut. *Modern Packaging*, August, 1943, p. 48:4; and September, 1943, p. 54:5.

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- ABOUT a year and a half ago, there were 414 styles of fresh fruit and vegetable containers; now, as a result of simplification, there are only 80 to 85 styles.

—*Packaging Parade* 9/43

Financial Management

Reporting of War Accounting Practices

FINANCIAL statements have long given a fictitious appearance of meticulous accuracy. Accountants have recognized, however, that such statements are but approximations. The financially conscious public is now engaged in the painful process of learning that some of the figures in published financial statements are not only approximations but often verge perilously close to guesses.

In the case of one aircraft company with a net worth of approximately \$18,000,000 and a net income of approximately \$11,000,000, the stockholders were told that "the accompanying financial statements do not reflect the financial position of the Corporation as it may be finally determined or adjudicated. The difference between what the Corporation has reported . . . and the offer previously made by the Price Adjustment Board is approximately \$6,000,000."

Less startling, but fully as significant, are other uncertainties noted in connection with postwar reserves, provisions for taxes, and losses relating to properties in enemy-held territories.

William A. Paton has called attention to the undesirability of showing income and excess profits taxes as a deduction from apparent income or net profit. He has reminded us that ignorant or prejudiced people could glance at a profit-and-loss statement such as that of The Maryland Drydock Company,

for example, and charge profiteering. The statement in question shows "Operating profit . . . \$4,210,169." This amount is in excess of the corporation's reported net worth of \$4,188,467, and is more than 13 per cent of its sales volume. As a matter of fact, the net income reported for the year was really only \$807,755, the federal taxes alone being in excess of \$3,000,000.

General Electric Company places such taxes as an item immediately following "Total income, before provisions shown below."

Union Carbide shows such taxes as one of four items deducted from income, the other three items being (1) depreciation and depletion, (2) amortization, and (3) interest.

General Motors includes federal taxes in a group of items immediately following a total consisting of net sales and other income. As a result, the tax item ranks with cost of sales, and selling, general and administrative expense.

Chrysler follows approximately the same plan, as do United Airlines and United Aircraft.

With respect to the postwar refund of excess profits taxes, the research staff of the American Institute of Accountants reports: "We have reviewed over 250 reports. . . . Effect was given to the postwar refund in the income statement in 90 of the reports studied."

Presentation of these items was as follows:

Deduction from income tax, including 21 cases where credit is shown parenthetically	82
Referred to in footnote	5
Tax shown net but amount of credit not indicated	1
Added to income after provision for taxes	2
	—
	90

From the balance-sheet viewpoint, 34 of these companies showed the postwar refund as a separate caption, while 44 companies included it among "investments" or "other assets."

The research staff of the American Institute points out the great diversity of titles used for special reserves arising out of the war. Commonly found are such titles as: reserves for contingencies, reserves for postwar contingencies, reserves for postwar adjustment, and reserves for rehabilitation or conversion, etc. In most instances, the provisions for such reserves were made from income as one of the final items in the statement.

Seventy annual reports were found to contain information on renegotiation of war contracts. In 57 of them the information was conveyed by footnotes. In only nine was a renegotiation reserve created by a charge against income. Most of the companies indicated unwillingness or inability to discuss renegotiation in terms of dollar amounts.

Examination of recent annual reports by the writer* reveals a few cases where substantial sums representing custodianship items were omitted from the balance sheet. Thus, General Motors Corporation held more than \$5,800,000 in cash for employees' war savings bond purchases, but showed neither this amount nor the contraliability on the balance sheet. In other instances, notably Standard Oil Company (New Jersey) and The Maryland Drydock Company, funds which belonged to government departments, and for which the companies were accountable, were omitted from the balance sheet. Maryland Drydock did show cash for war bond subscriptions but deducted an equivalent amount, hence extended no net balance on the asset side of the balance sheet.

One suggestive change in basis of accounting involved the incidence of employees' vacations with pay. Because of an increase in number of employees, Maryland Drydock decided to provide for vacation costs in advance of the vacation period, abandoning its former practice of considering such paid vacations as expense in the year when vacations were taken. By STEPHEN GILMAN. *The Journal of Accountancy*, September, 1943, p. 200:11.

* This study includes a detailed discussion of nine recent annual reports.—Ed.

- UP TO THE END of last May, the nation's peacetime plant equipment had been expanded by nearly \$28,000,000,000 through public and private financing since the defense program began in June, 1940. This compares with a total capital investment of \$49,300,000,000 in American manufacturing enterprises at the end of 1939.

—OSCAR N. LINDAHL before the Controllers Institute of America

Funding Depreciation and Maintenance Reserves

SHOULD an industrial company fund a portion of its reserve for depreciation by building up an investment (specified as a "Depreciation Reserve Fund" or otherwise) in government bonds in the course of its operation during 1943? There is no single answer to this question, because it depends on a number of factors which are not identical in their implications for any two companies.

One of the determining conditions is the present rate of expansion and replacement. If a company is expanding rapidly, it scarcely seems advisable for it to accumulate a depreciation fund at the same time. Similarly, if a company is not expanding but is making replacements currently in normal volume, there is ordinarily no need for a funded reserve because the amounts flowing in from depreciation about meet the expenditures on replacement and also because there is no accumulation of delayed replacement to be met in the future.

But if a company is stabilized on a very high level of production, with relatively little expansion in capacity and little replacement, the flow of funds from depreciation will be in excess of needs for new plant and will accumulate as working capital. As we progress in the war effort, more and more companies will come into this position, especially if they are using accelerated depreciation and at the same time are unable to replace units and lines of equipment as readily as

in normal times. As they do attain this position, the problems of the disposition of depreciation cash will arise.

Another determining factor in the disposition of net depreciation funds is the prospective need for plant expenditures after the war. The "liability to plant" which will become due in the period of reconversion needs to be appraised now, so that adequate administrative measures can be taken to prepare for it. The extent to which plant facilities will be worn out or obsolete at the end of the war depends, of course, on the length of the war—an uncertain factor.

If a company has a well-developed cash budget, either formal or informal, so that each alternative is subjected to careful analysis, the process of wise allocation will be facilitated. The alternatives will not be changed, however, by the presence of a budget and will involve decisions between dividends, financing inventories and receivables, retirement of bank borrowings, retirement of funded debt, and the setting up of funded depreciation reserves in the form of government bonds.

Dividends from depreciation funds are dangerous and presumably should be declared only after a careful analysis shows the amounts will not be needed for "liability to plant" in the future.

It has been urged that working capital of industrial enterprises is under too much pressure now to warrant

funding operations and that it is foolish to keep idle money in government bonds when a company may be borrowing from banks or issuing securities to finance working capital needs. Possibly so, but the same argument is made against funding tax reserves by holding tax anticipation notes, although many of the keenest managements are holding such notes, often at 100 per cent of the tax accrual. A strong working capital position on the day of armistice is of prime consequence; it can be attained only by forethought and planning.

Thus far we have discussed the relation of plant to working capital through depreciation, replacement and expansion. Maintenance also has an important bearing on the matter, although its characteristics are significantly different.

To the extent that delayed maintenance exists, we have a type of exhaustion which is not currently recorded in the accounts. While a company in normal times may spend \$200,000 a year to maintain its property, and should, because of the high rate of production, spend \$300,000 for that property during 1943, it may find that it is only able to undertake maintenance in the amount of \$150,000—with the result that there is an accumulation of \$150,000, which will have to be provided when the property is restored to its customary condition. If no provision for this is made in the accounts, the income for the year will be overstated in the amount of \$150,

000, and, what is possibly of equal importance, there will be a liability which will absorb an equal amount of cash at some time in the future.

When delayed maintenance exists, it is possible to correct the showing of income by debiting Maintenance Expense and crediting Reserve for Maintenance in the amount of the delayed maintenance, so that the total charge to Maintenance Expense will reflect not only the maintenance actually done but that which should be done but is in fact delayed. While maintenance reserves of this nature have been employed in American industry, their use is not frequent—largely because conditions have not been such as to make this type of adjustment necessary. We shall probably see an extension of this practice in current financial reports.

Some companies accomplish the same purpose through a different mechanism. Recognizing the fact that the property has not been maintained at the level ordinarily assumed in establishing rates of depreciation, they treat this additional exhaustion as depreciation and increase depreciation rates accordingly as a part of the process of accelerated depreciation. Under this procedure the additional amount will appear as part of the depreciation expense and the reserve as part of the reserve for depreciation. There is little difference in final effect between these two procedures. By W. ARNOLD HOSMER. *Harvard Business Review*, Spring, 1943, p. 369:16.

New Contract Termination Policy

TO prevent sudden stoppage of income to munitions producers whose contracts have been terminated, the Army has established a vigorous policy of prompt partial payments to contractors. The field staff of the Army Service Forces has been instructed: (a) to make payments on account quickly to prime contractors and to enable them to make payments on account to their subcontractors; and (b) to make use of available advance payment balances to alleviate financial hardship pending final determination of termination charges.

The regulation does not specify any amount, percentage or otherwise, which should be paid to a company whose contract is canceled, nor does it set a time limit for making the payment. But exhaustive audits should not be necessary before the contractor receives some cash, the regulation explains.

Regulations for contract termination include the following provisions:

1. Submission of a partial statement of costs and termination charges certified as correct by at least two duly authorized officers of the contractor (one of whom should be the chief accounting officer), in the case of a corporation; and by at least two members in the case of a partnership.

2. A statement by the contractor that the payment requested has not been assigned; or, if it has been assigned, that the assignee has consented in writing to the making of the payment. Direct payment to an assignee may be made, if otherwise authorized.

3. Statement by or in behalf of the contractor that all statements of fact and representations made in the request for payment, the partial statement of charges, and the schedules in support of them are true and correct and that they are made subject to certain criminal penalties.

Whether or not such conditions are imposed, it is necessary for the contracting officer to have some accounting information provided him and make a written determination that the amount to be paid is less than the whole amount due.

—KENNETH G. KRAMER in *The Wall Street Journal* 8/25/43

Suggestion Program Aids Postwar Planning

A POSTWAR planning program in which the "buck private" as well as the "staff officer" takes a hand has been devised by the Air Reduction Company. The company has asked its 8,000-odd employees for suggestions and has received more than 1,100 ideas, some of which, company officials say, should prove profitable. More than half of the suggestions were concerned with how to improve sales, and how to develop new lines and expand the demand for existing lines.

The company's planning work is organized on a three-layer basis. The bottom layer consists of suggestions by employees and officers alike. These suggestions are screened by four committees composed of plant managers, engineering researchers, sales, distribution and production executives. These committees meet twice weekly to thresh out ideas submitted from below. This screening group is the second layer. The screened ideas are then passed on up to the Postwar Planning Board, composed of six executives, each of whom heads an individual committee. The committees cover operations and distribution, sales and distribution research, medical gas and medical apparatus.

The chairman of the planning board is a director but not an officer. Because he is not in working harness, he can bring a fresh outsider's point of view to postwar discussions.

The board meets every two weeks, and its proposals, of course, must be cleared through the company's board of directors.

—LESTER VELIE in *The Journal of Commerce* 10/21/43

• THE FOLLOWING postwar gains in production of household goods over the 1940 level are forecast by the Department of Commerce: electric household appliances, 79%; floor coverings, 129%; radios, 165%; and stoves, 88%.

Insurance

Legal Aspects of Salesmen's Liability

THERE are two major types of salesmen's liabilities: one is incurred when the salesman injures another, generally while driving an automobile; the other, when he himself sustains an injury. By proper legal arrangements, employers of salesmen may eliminate liability from both these sources.

First, let us consider the law with respect to avoidance of liability for injuries effected by salesmen who operate automobiles.

The most important consideration when deciding whether an employer is liable in damages for injuries caused by a salesman's automobile is: Did the legal relation of master and servant exist between the employer and the salesman when the accident occurred? If so, the employer is liable if the testimony proves that the salesman was negligent. On the other hand, if the evidence indicates that the salesman is an independent contractor, the employer is not liable. Consequently, it is essential to be able to determine when a salesman is an independent contractor, and to establish him as such where desirable.

Modern courts hold that the term "independent contractor" signifies one who contracts to perform work by his own methods, without being subject to the broad control of an employer. However, the employer has the legal

right to discharge an independent contractor whose work is unsatisfactory, or to dispense with his services in accordance with prior agreements.

Recently a higher court held that the real test of an independent contractor is whether or not the employer has any *authoritative* control with respect to the *manner* in which the *details* of the work are to be performed.

In the case of Peterson vs. Brinn & Jensen Company (277 N. W. 82), however, the court declared:

The ultimate test (of whether a salesman is an independent contractor) is determined by the control reserved in the employer. However, in some forms of employment the management (employer) reserves the right to give the most detailed instruction as to the manner and form in which the work is accomplished, even though there is no doubt whatever that the person so directed and instructed is an independent contractor.

There are on record many decisions to the effect that a traveling salesman may be deemed an employee in the legal sense even when he is paid on commission. In the case of Riggs vs. Standard (130 F. 199), a salesman was paid on a commission basis, but the employer treated him as a salaried employee. Consequently, he was held *not* to be an independent contractor.

Likewise, in the case of Aeschleman (127 Nebraska 207), an employer required his salesman to make certain prearranged calls each week, and to be at the home office every weekend.

Also, the salesman was required to keep in constant touch with the office, and occasionally was ordered to make emergency service calls.

In view of this testimony, the higher court ruled that the relationship of master and servant existed, although the salesman sold goods on commission; and the employer was held liable for injuries due to the salesman's negligence.

Compare the leading case of *Aldrich vs. Tyler Company* (206 Alabama 139). In this instance, a salesman owned and maintained an automobile which caused the death of a pedestrian. He was paid a percentage or commission on orders accepted by his employer, and he collected bills. However, the testimony proved that the employer's only concern was *in the result* of the salesman's efforts. The employer did not instruct the salesman when, how or where he might secure orders. The method, means and occasions of calling upon prospective purchasers were left entirely to the salesman. Therefore the higher court held that such a salesman is, with respect to the operation of his automobile, an independent contractor; and his employer is not liable for injuries due to negligent operation of an automobile.

Contrary to popular opinion, a salesman employed on salary and expenses, or commission and expenses, may compel his employer to pay damages for an injury sustained by the salesman, in addition to full salary or commissions and expenses while recovering from sickness or injury in a hotel or

hospital. The law presumes that when a salesman sustains injury within the scope of his employment, or becomes ill while on a trip designated or agreed to by the employer, salary and expenses will be paid until the salesman resumes work or is ordered to return by his employer. Thus it is advisable for employers of salesmen to protect themselves against injury losses through federal or state compensation insurance, or against sickness liability through ordinary insurance.

A significant point of law is that when a salesman applies for state compensation insurance, he automatically waives the right to sue his employer for damages.

Courts consistently hold that a traveling salesman is entitled to compensation for injuries received from hazards incidental to traveling on streets and public highways, provided that at the time of the injury the salesman was attending to his regular duties. However, the writer knows of no case in which an employer has been held liable where an employee's injuries received during travel on the road arose through the employee's abandoning his duties—whether by reason of intoxication, sickness, or some other cause.

In *Shelby Manufacturing Company vs. Harris* [44 N. E. (2d) 315], reported in December, 1942, it was shown that a salesman traveled in his own automobile and paid his own traveling expenses. One day he started from his home in Cincinnati, to call first upon a customer at Bedford, Ind. While on a public highway in Ohio,

he was injured in a collision between his automobile and a truck, from which injury he died the following day. Although his widow received indemnity from an insurance company, the higher court held her entitled to compensation under state compensation laws. This court said:

It has been many times held that an employer is not relieved from liability for compensation under the compensation laws, in whole or in part, because of the receipt by the injured employee from other sources of payments or contributions on account of his injury or disability.

BY LEO T. PARKER. *Industrial Marketing*, July, 1943, p. 39:3.

Making Wood "Fire-Resistant"

BECAUSE of building-steel shortages, more than usual interest has been evinced lately in methods of making wood "fireproof," "fire-resistant" or "fire-retardant," to use the various terms being applied.

No material can be made "fireproof," but it can be made "fire-resistant" or "fire-retardant." There are two ways of making wood fire-retardant. One is by impregnation, which forces certain chemicals into the wood. The other is by using fire-retardant paints. Of the two, impregnation is by far the more effective method.

The chief advantage of impregnated lumber is that it does not spread flame appreciably beyond an area which has been heated to a high temperature by a fire from some other source of fuel, and that it soon stops burning after the outside source of heat has been removed or extinguished. However, if there is sufficient combustible material in the contents of a building to make a hot fire, an impregnated roof will burn and itself contribute fuel to the fire.

The cost of impregnated lumber varies with weight and grade and with the freight charges to and from the impregnating plant. Roughly, impregnation increases the cost \$40 to \$45 per 1,000 board feet.

There are countless fire-retardant paints. Tests indicate that the best of them have some merit and do prevent ignition from such small ignition sources as low-voltage short-circuits, sparks or hot coals; that they do create some resistance when subjected to a nearby fire; but that they are not sufficiently effective for the types of fires likely to develop in industrial plants. Certainly such paints should not be employed in industry as substitutes for recognized fire-protection measures.

—Factory Mutual Record 8/43

Colors for Safety

RED is traditional in safety practice as a symbol of danger. Yet, while it is a rich and exciting hue, it falls short of other colors where high visibility is concerned.

According to the Color Research Laboratory of the Eagle Printing Ink Company, the most conspicuous and visible of hues is yellow. Next in order is a brilliant yellow-green. Following this, orange ranks third, with red fourth on the list.

In industry—for example, in a steel mill or a printing plant—a good safety practice would be the use of yellow to mark moving parts, trucks, pillars, and the like. Yellow-green and orange might be used for other and perhaps lesser hazards—with red reserved for fire-protective equipment.

Yellow and yellow-green are the regions of highest visibility in the spectrum. In the dim light encountered in so many industrial environments, they are the two colors that hold their brightness best, with red fading out and resembling black—a phenomenon long recognized by science.

Advances in Workmen's Compensation

COVERAGE of workmen's compensation laws has recently been broadened by Massachusetts and Michigan. Both these states have changed from elective to compulsory acts. In Massachusetts, after November 15, employers of more than six must provide their employees with workmen's compensation protection; in Michigan, employers of more than seven must provide coverage. Both states specify criminal penalties for the employer who fails to insure compensation. Moreover, in Massachusetts, in any action by an employee to recover damages for personal injury, the employer is civilly liable if it is proved simply that the injury arose out of and in the course of employment.

Massachusetts, in changing over to a compulsory workmen's compensation law, also made provision for self-insurance; heretofore, insurance could be provided through private insurance companies only. In order to qualify as a self-insurer, an employer in Massachusetts must deposit with the state treasurer not less than \$10,000. The law requires the Massachusetts Department of Industrial Accidents to determine from time to time the liabilities of a self-insurer, both incurred or to be incurred, because of personal injuries to employees, and authorizes the Department to require the deposit of additional securities. The Department may also make detailed rules and regulations governing self-insurers. For failure to make payments of compensation or for any other reasonable cause the licenses of self-insurers may be revoked.

—Monthly Labor Review 9/43

The Overtime Factor in Premium Computation

WITH the elimination October 1 in a number of states of overtime pay as a factor in determining workmen's compensation premiums, insurance companies generally are adopting the same procedure for manufacturers' and contractors' public liability and property damage coverage, which also is figured on a payroll basis.

The new procedure on workmen's compensation became effective October 1 in Alabama, Arkansas, Connecticut, District of Columbia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky (July 1), Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Hampshire, New Jersey, New Mexico, Oklahoma, Rhode Island, South Dakota and Virginia. The new plan will entail more work in auditing payroll records for compensation policies because overtime must be eliminated from the amount of payroll at standard rates of pay.

In Mississippi and monopolistic fund states (except Washington), the National Council program applies to M. & C. In Delaware, Pennsylvania and Texas, where wage factors have been introduced in the basic compensation rates to take care of overtime pay, and in any other state where the National Council program or a similar program is not adopted, the old computation method will be followed.

—The National Underwriter 10/7/43

AMA WINTER INSURANCE CONFERENCE

The Winter Insurance Conference of the American Management Association will be held on Wednesday and Thursday, December 1 and 2, at the Hotel Statler, Cleveland.

Survey of Books for Executives

The Spirit of Enterprise. By Edgar Monsanto Queeny. Charles Scribner's Sons, New York, 1943. 267 pages. \$2.00.

*Reviewed by Claude Robinson**

This book is a significant indication that business is finding its voice. In the public debate over what kind of social and economic system the United States should have, the professional theorists on the left have done most of the talking during the past decade. Now comes a business man with a fluent pen and a vigorous set of convictions to take up the cudgels for free enterprise.

All right-minded people, says Mr. Queeny, subscribe to the goal of economic amelioration. There is no quarrel with the New Deal on the end to be achieved. The fight comes on the means for reaching this end.

Mr. Queeny traces the philosophy and propaganda tactics of the New Deal to Thorstein Veblen, examines the TNEC hearings at some length, and excoriates them as neither candid nor honest and bordering on turpitude. Economists who favored government spending were paraded as witnesses, says Mr. Queeny, but economists who opposed spending were not summoned.

* President, Opinion Research Corporation, Princeton, N. J.

Likewise, business men whose firms had not recently sought new capital were called on to testify, but those who had recently tapped the capital markets were not put on the stand.

In Chapter 10, entitled "Whose Feet Are Clay?", the author develops a line of reasoning which has been much needed in the debate over government planning versus free enterprise. He says in effect: "The political planners criticize the enterprise system. Let's take a look at their system and see how it works." Mr. Queeny then analyzes the mechanics of bureaucracy, pointing out that the bureaucratic form of organization lacks the spur of competition, fails to reward initiative, encourages "buck passing," and, in scrupulous adherence to routine, builds up a system of red tape that destroys efficiency.

The Weather Bureau, Mr. Queeny says, provides a good case study of what happens in a bureaucracy. Since 1871, says the author, the Weather Bureau "sat complacently behind its established red tape and cumbersome routine, and not only failed to indulge in any fundamental research of its own but allowed an entirely new science of weather forecasting to develop in other countries and even in our own universities unheeded." Modern weather forecasting, Mr. Queeny

points out, was imported and developed in the United States by the enterprise of the universities and the commercial airlines. Through this enterprise, crops have been saved, lives preserved, construction work speeded.

It is the spirit of enterprise exercised

by individuals and groups of individuals, says Mr. Queeny, that has made America great. Social planning, such as advocated by the New Dealers, the author contends, can lead only to a lower standard of living and a loss of liberty.

Briefer Book Notes

SALVAGE MANUAL FOR INDUSTRY. Technical Service Section, Industrial Salvage Branch, Salvage Division, War Production Board, 1943. For sale by the Superintendent of Documents, Government Printing Office, Washington, D. C. 243 pages. 50 cents. This manual contains a wealth of information on efficient salvage methods and practices in segregating and preparing secondary waste materials. It includes both basic information for the individual who has the job of establishing a company salvage program "from scratch," as well as technical data which will assist individuals responsible for detailed salvage procedures.

CONSUMER AND OPINION RESEARCH: *The Questionnaire Technique.* By Albert B. Blankenship. Harper & Brothers, New York, 1943. 240 pages. \$3.00. Here is a critical analysis of questionnaire techniques by an active practitioner in the field. Dr. Blankenship's expert, step-by-step directions on the how, when and why of questionnaire surveys should have a salutary and tide-stemming effect on the current flood of commercial and opinion questionnaires.

SMALL RETAIL STORE MORTALITY. By William T. Hicks and Walter F. Crowder. Economic Series No. 22, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, Washington, D. C., 1943. 43 pages. Gratis. A qualitative study designed to show why and how small retailers are discontinuing business during the war period. Analyzes the circumstances surrounding the withdrawal from business of 149 retailers, and describes the difficulties encountered by 83 retailers who recently opened new stores.

AUDITING ABSENTEEISM. Special Bulletin No. 12-A, Division of Labor Standards, U. S. Department of Labor, Washington, D. C., 1943. 30 pages. Gratis. This pamphlet illustrates a number of typical record forms employed in the analysis and control of absenteeism, and describes the procedures used in maintaining them. Outlines in detail the record-keeping procedures developed by seven firms of various sizes, located in different parts of the country and engaged in several types of war industry.

FITNESS ON THE INDUSTRIAL FRONT: *Proceedings of National War Conference, Industrial Recreation Association for American Industry, July 14-15, 1943.* Industrial Recreation Association for American Industry, Lafayette, Indiana. 100 pages. \$1.00. A summary of talks on industrial recreation programs and their part in production, control of absenteeism, etc., by specialists in industrial relations, recreation and allied fields.

PROCEEDINGS OF SEVENTH ANNUAL MEETING OF INDUSTRIAL HYGIENE FOUNDATION OF AMERICA, INC. Industrial Hygiene Foundation of America, Inc., Pittsburgh, Penna., 1943. 196 pages. \$3.00 (non-members). Includes much practical data on the maintenance of healthful working conditions, with emphasis on wartime fatigue, occupational hazards, absence control, women workers, handicapped workers, and industrial nutrition.

PUBLICATIONS RECEIVED

The Technique of Handling People: The Eleven Secrets of Handling People. By Donald A. Laird. Whittlesey House, New York, 1943. 139 pages. \$1.75.

Safeguarding the Woman Employee. Policyholders Service Bureau, Metropolitan Life Insurance Company, New York, 1943. 38 pages. Gratis.

Export Decentralization. International Economic Council, Washington, D. C., 1943. 45 pages. 25 cents.

Training Women for War Work. Bureau of Training, Apprentice-Training Service, War Manpower Commission, Washington, D. C., 1943. 14 pages. Gratis.

A Procedure for Community Post-War Planning: Jobs and Production at War's End. Chamber of Commerce of the United States, Washington, D. C., 1943. 59 pages. 20 cents.

Financial Position of the Aircraft Industry. By Lynn L. Bollinger and Tom Lilley. Business Research Studies Number 28, Bureau of Business Research, Harvard Business School, Boston 63, Mass., 1943. 46 pages. \$1.50.

Indexing and Alphabetizing Simplified. By Vera A. Avery and Frieda Kraines. Pamphlet Distributing Co., New York, 1942. 19 pages. 50 cents.

Distribution of Scarce Goods: Wartime Practices in Allocating Goods to Retailers. By E. R. Hawkins and Walter F. Crowder. Economic Series No. 26, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce, New York, 1943. 54 pages. Gratis.

Employee Vehicle Maintenance. Loss Prevention Department, Liberty Mutual Insurance Company, Boston, Mass., 1943. 8 pages. Gratis.

A Study of Absenteeism Among Women. By S. Wyatt, R. Marriott and D. E. R. Hughes. Emergency Report No. 4, Medical Research Council, Industrial Health Research Board, 1943. Available from His Majesty's Stationery Office, London, W.C. 2., England. 12 pages. 2d.

Manpower Reports: Work Control. Manpower Division, Automotive Council for War Production, Detroit, Mich., 1943. 7 pages.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933. OF THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1943.

State of New York }
County of New York } ss.

Before me, a Notary Public in and for the State and county aforesaid, personally appeared James O. Rice, who, having been duly sworn according to law, deposes and says that he is the Editor of THE MANAGEMENT REVIEW and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York 18, N. Y.; Editor, James O. Rice, 330 West 42nd Street, New York 18, N. Y.; Managing Editor, None; Business Manager, Alvin E. Dodd, 330 West 42nd Street, New York 18, N. Y.

2. That the owner is: (If owned by a corporation its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York 1, N. Y.; Alvin E. Dodd, President, 330 West 42nd Street, New York 18, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JAMES O. RICE, Editor.

Sworn to and subscribed before me this 21st day of September, 1943.
(Seal)

RUTH KHAN, Notary Public.

(My commission expires March 30, 1944)